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REFORMING THE COMMISSION

Consultative document

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PREFACE BY NEIL KINNOCK

The Berlin and Cologne European Councils gave President Prodi and the Commission which he leads the task of Reform and modernisation.

This consultative document sets out the Strategy for fulfilling that mandate. It is being published for consultation with the staff and their representatives, the European Parliament and Council, and for the information of the wider public. In compiling the White Paper for consideration by the College on March 1st, account will be taken of the responses made through those consultations.

The objective of the Reform Strategy is clear: It is to make changes which will ensure that efficiency, accountability, transparency, responsibility and service are applied as working conventions everywhere in this unique multinational public administration. This document details the actions needed to make provision for that, the timescales over which those actions will be taken, and the arrangements for monitoring and pursuing progress in what must be, inevitably, a sustained process of improved performance.

The need to achieve that is widely recognised and plain. Over the decades, ever-increasing obligations – particularly executive functions – have been given to the Commission. Against that background the systems and procedures of the Institution have become outdated, the burdens of work have been unevenly distributed, responsibility has been fragmented and sometimes obscured, and the skills of management were not always given the necessary premium. Despite these problems, the staff of the Commission has performed well in difficult circumstances.

However, faced with new challenges the Commission did not evolve as an organisation to reflect the changes in the Union which it exists to serve. The cumulative results eroded job satisfaction amongst many in the very capable staff and diminished public confidence.

Many have called for a change in the “culture” of the Commission. It is not by mere exhortation, but by modernising working methods, creating new systems and setting new standards that new habits will develop, new attitudes will be formed and a new culture will emerge.

The proposals made in this document are geared to that reality. First and foremost – and consistent with the recommendation of the Committee of Independent Experts, the Court of Auditors and internal analyses – the proposals prescribe radical and urgent changes in financial management and control to secure better informed decisions, greater value for money, and a new level of accountability. The Commission recognises the urgency of progress and will, consequently, set up the key building blocks, including, crucially, an Internal Audit Service, by 1 May 2000 at the latest. Secondly, the proposals identify the ways to efficiently integrate decisions on positive and – crucially – negative priorities with an assessment of resources. And thirdly, the proposals outline a comprehensive Human Resources policy that will enable the people who work for the Commission to develop their careers through improvements in recruitment and promotion systems, training provision, management, and social infrastructure.

All of those changes would be necessary in any event. The impending enlargement of the Union gives them extra significance and urgency.

The Reform task is clearly substantial. After forty years – and despite various sporadic efforts to achieve change – many conventions have deep roots.

But the Commission has some powerful assets in tackling the task of modernisation. Romano Prodi's new Commission is itself fully committed to reform. The European Council has issued a clear mandate for change. The European Parliament has made its close interest plain.

But the most vital asset of all is the professional qualities of the great majority of Commission staff who understand the importance of Reform for the interests of the Union and for their own career development and fulfilment.

Modernisation has, of course, already started with some changes that pre-date this Commission, and others that have been introduced in the months since September. The momentum will be maintained with actions that are set out in the consultative document and its annexes. Those that involve amendments to the Financial and Staff Regulations will obviously have to go through the legislative process and, since securing operational improvements will require some fresh investment, the understanding and cooperation of the Council and Parliament will be vital.

Above all, the success of the Commission reform process – like any other – will require the active commitment of management at all levels and of staff in every part of the organisation.

Among the people who work at the Commission there is real dedication to the development of the European Union and the service of its citizens, and there is a strong desire to earn fresh confidence in the Commission.

As a result, the staff of the Commission will, I am certain, apply the commitment that is needed. The Union can then expect to gain the advantage of having the best quality international administration in the World. We will continue to work for that.

I THE REFORM CONTEXT

In Europe and more widely, political, commercial, social and technological change is constant. All organisations must evolve in order to deal with that reality effectively, whether it is to compete in the market or to meet public service demands. Failure to anticipate and to respond productively to change can carry severe penalties for administrations, for enterprises, and for the people working in those organisations.

Those basic facts of modern life have obvious implications for the European Commission – not least because the challenges of change are particularly profound in Europe. The forthcoming Enlargement of the Union is, for instance, a huge endeavour which will make particular demands on the Commission as an executive administration that has the duty of safeguarding the Treaty, the mission of sustaining the construction of Europe, and the obligation of serving the citizens of the Union in an accountable and efficient way.

The tasks arising from those functions have greatly increased in number and complexity in recent decades, but the administration has not kept pace with those additional demands. Systems and procedures are now out of date and cannot cope with the huge volume of work, particularly executive tasks, which the Council and the Parliament have given to the Commission. Crucially, the Commission's financial control, audit, planning and personnel systems have been shown to be old-fashioned, ill-adapted to today's needs and in need of major overhaul. That is why comprehensive Reform and modernisation are now needed and why they must be pursued as a sustained strategy. It also implies that a key objective of Reform for the Union as a whole must be to achieve a better match between Commission resources and tasks. The Reform dividend from higher efficiency will certainly facilitate this. However, where analysis shows that resources are not commensurate with tasks, either additional resources will have to be made available (if need be through negative priorities), or the Commission should not be requested to carry out those tasks. All Institutions need to face up honestly to this choice.

The events of 1999, including the resignation of the College of Commissioners, graphically demonstrated the urgent need for Reform. The two reports of the Committee of Independent Experts provided valuable guidance in the planning of the changes needed. Earlier efforts at reform also offer instructive material. In addition, the Williamson Report and the DECODE exercise are examples of other analyses which provide essential starting points for the present reform, whilst the SEM 2000 and MAP 2000 programmes have provided useful experience.

The present Reform starts with two questions. What are the tasks and functions of the Commission in the years to come? And what sort of organisation must the Commission be in order to fulfil those tasks and functions?

Clearly, the Commission must continue to be the public service of the European Union, exercising the right of initiative to contribute to the development of the Union and managing the common policies, implementing legislation, ensuring that Community law is respected and administering the programmes decided by the Council and the Parliament. In particular, we must recognise the significant increase in the management role given to the Commission by the Council and the European Parliament.

Plainly, many of the present administrative practices and conventions are obstacles to fulfilling these functions with the necessary effectiveness and sense of service. So is the difficulty the Commission has faced both to clearly formulate priorities and to identify and act on negative priorities. This document sets out a modernisation programme with defined objectives, actions required to fulfil them and dates for implementation. It is being circulated for consultation in view of the final adoption of a White Paper scheduled for 1 March 2000.

The programme is designed to achieve an organisation capable of exceeding the best standards of comparable international public administrations, and of dealing continually and competently with future changes in the political, economic, social and legal context in which it operates. Implementing measures will consequently be based on best practice. These advances are all necessary on their own merits, and in order to earn fresh confidence among the citizens of the present and future Union.

Whilst Reform is obviously a process and not an event, it will only succeed if based on credible timetables, detailed deliverables and clearly assigned responsibilities. The action plan annexed to this document and the attached timetable set out how these core requirements are defined. Against this background, the Commission aims to have fully implemented the programme presented in this paper by the second half of 2002. Progress will be monitored and a review will be published in December 2002. Some of the Reform's effects will be visible in the near future. Others will take longer to be fully evident, because some of the necessary measures proposed will require changes in law to be adopted by the European Parliament and the Council. This ambitious time-table can, therefore, only be realised if all European Institutions participate fully.

The reform process is composed of three pillars, which are reflected in the structure of this document:

- Radical reform of the way in which political priorities are set and resources allocated. Through decision-taking mechanisms and appropriate timetables, it will ensure that activities undertaken by the Commission will be supported by the necessary human, administrative and financial resources. This opportunity will be taken to make the principle of thoroughly evaluating action taken part of daily management activities.
- Important changes to human resources policy, placing a premium on continuous training, quality of management, and improving recruitment and career development. These changes will also place an emphasis on improving the working environment and equal opportunities, as well as the evaluation of individuals, and will enable disciplinary matters or cases of under-performance to be dealt with properly and reasonably.
- Far-reaching reforms of financial management, enabling each department to establish its own, internal audit system appropriate to its own needs. In doing so, departments will be able to draw on the advice of the Commission's specialist services. Reform is predicated upon a precise definition of the responsibilities of each actor, and upon regular checks by the Internal Audit Service – which the Commission is now establishing - on the quality and reliability of each internal audit system.

The proposed system of organising activities is ambitious, but eminently realistic. It is based on the quality of staff, who have repeatedly proved their ability to adapt as individuals to changes in their work.

These reforms include activities already begun, placing them within a coherent framework. Beyond the new rules and structures, the resulting profound change in mentality will empower each and every official to take responsibility and to take initiatives.

The document concludes with a chapter setting out how Reform should be sustained and what steps the Commission intends taking following the presentation of this draft paper. The orientations proposed in the various chapters can be summarised in 84 distinct actions which are presented in a more detailed and standardised format in the action plan. The action plan is structured on the basis of this paper and policy actions are, therefore, grouped by chapter for ease of reference.

Reform requires technical change. Describing this unavoidably means using technical terms – jargon. This should not obscure the radical nature of the proposals put forward to which the Commission is fully committed.

II A CULTURE BASED ON SERVICE

The Commission is at the service of the European citizen, translating into action the objectives defined on their behalf by their representatives in the Council and Parliament. Service - or client-focussed - behaviour derives from a relationship where one party expresses its needs in a realistic and realisable way and the other endeavours to meet these needs to the best of its abilities and capacities. This type of behaviour is as relevant to relations between officials and between departments within the Commission as it is to the Commission's contacts with the European citizen and their representatives in the other Institutions. A service-oriented approach is built on mutual trust and respect.

Principles

To underpin the Commission's commitment to service, and in line with the tenets of good governance, the Reform is based on the following key principles:

Accountability

The Commission as an Institution is accountable to the European citizen for its actions. This is expressed in different ways: for example, the Commission reports to the Council and the Parliament on its activities. But accountability goes further than that: exercising good stewardship of the resources available to the Commission involves ensuring they are used efficiently and effectively in all areas.

Responsibility

Accountability goes hand in hand with the exercise of responsibility. Each Commission official should feel comfortable about taking responsibility for his or her actions and accounting for them. The complex and extended chain of approvals required in the Commission for the simplest of items has become almost legendary. It might have originated in a desire for carefulness, but it has evolved in a way that now diminishes and obscures responsibility. And that issue of responsibility is a matter of particular concern where EU finances are involved.

The corollary of expecting each person to take responsibility for their actions is the safeguard that if an individual is called upon to act in a way which they feel is inappropriate there should be meaningful channels for them to express their concerns. More generally, when individuals are uncomfortable about instructions it is particularly important to clearly define who is taking responsibility for what.

Responsibility applies at all levels, starting with the College when it defines what the Commission will do and how. Political responsibility lies with the Commissioner and the College, whereas day-to-day management responsibilities rest with the DGs. A clearer definition of tasks, both for departments and for individuals, will reduce ambiguity about who is responsible for what and it is essential to define clearly the responsibilities of Commissioners and services respectively. The Prodi Commission has already adopted a Code of Conduct on this.

Efficiency

The Commission has been a powerful advocate of the public benefits of striving for the optimal use of resources and obtaining value for money generally. Yet the Commission has been slower in modifying its own procedures, especially internal ones, to achieve just that. Cost-effectiveness must have a premium. Simplification also has an important role to play in this context because simpler procedures are easier to understand and so are more effective. Simplification is not, however, always easy: rules build up over the years and can become so complicated as they are amended and adapted that the underlying objective is obscured. It does no disservice to these rules and the people who devised them if we systematically question whether the rules still have a purpose and, if so, how they can be simplified.

Transparency

The openness of an administration is an essential sign of its confidence and trust in its employees and in those to whom it is accountable. Transparency within the Commission's own administration is a vital prerequisite for the greater openness towards the outside world required in the Treaty. This means transparency internally in terms of communicating effectively at all levels, showing receptiveness to new ideas and taking a positive attitude to criticism; and externally as an organisation fully open to public scrutiny.

Specific Actions

These principles can now provide an explicit basis for a new Commission culture of service-orientation.

Whilst the whole reform process will contribute to developing this culture, there are also a number of specific actions – detailed in the annex to this paper - which the Commission will take to achieve this objective. These include:

- The establishment of an Inter-Institutional Committee on Standards in Public life to supervise the general code of conduct applicable to all European Institutions, to monitor the implementation of the specific code of conduct of each Institution and to provide advice.
- A code of conduct for good administrative behaviour to provide guidance for Commission officials in contacts with other citizens, other European Institutions and stakeholders.
- New rules to enhance the public's access to documents of Community Institutions in line with the new provisions on transparency laid down in the Amsterdam Treaty.
- The development of a code of conduct for relations with the EP to facilitate co-operation between the Commission and the EP.

- The further development of the Europa and Europa-plus Internet sites with information on Commission activities as an efficient and cost-effective manner of communicating with citizens and all stakeholders.
- Measures to ensure that monies owed by the Commission are paid promptly, in line with good practice, and that the existing backlog is dealt with effectively.

The measures proposed in this Chapter are detailed in Chapter II of the action plan (actions 1 to 7 in sheets I to VI).

III PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

In the past the Commission has not rigorously defined its priorities nor matched the programming of its activities with its allocation of human and financial resources. Indeed, decisions on Commission activities were generally taken quite separately from decisions on the allocation of resources. This led to a lack of concentration on core tasks and a failure adequately to translate political priorities into decisions on organisational structures and on the allocation of resources. Moreover, responsibilities were not always adequately defined or assigned which, in turn, caused a lack of accountability that further compounded the problem.

The Prodi Commission has already recognised that an increased programming capacity is crucial for the reform. While adding this capacity for longer-term planning to what is currently an annual legislative process may take time to prepare, the Commission is already examining its strategic objectives and priorities over the longer term and the setting of headline goals for policy areas where this is possible. The introduction of annual orientation debates by the College on policy and budget priorities is another improvement. It has also decided to push ahead with the introduction of Activity Based Budgeting (ABB) which directly links objectives and activities to budgetary resources.

These ingredients for greater efficiency and coherence now need to be integrated in a framework that focuses on results and puts a premium on achieving value for money. The key actions proposed are the following:

- The establishment of a comprehensive Commission-wide system of Activity Based Management (ABM) for setting, monitoring and delivering policy priorities and for reporting. ABM also encompasses Activity Based Budgeting the gradual introduction of which has already been decided by the Commission.
- Striking a better balance between internal and external management of activities.
- Promoting more efficient and performance-oriented working methods.

III.1 Activity Based Management

Activity Based Management (ABM) puts *results* at the centre of the functioning of the Commission. It provides a system that integrates decisions on inputs and outputs at

every level of the organisation: from the strategic planning of policies – in which the College will be much more directly involved than ever before - to the allocation of staff and other resources in individual departments and units. This approach would foster cost-effectiveness because it integrates decisions on priorities, policy objectives, activities and the allocation of human, administrative and financial resources. Clearly, it would also be likely to enhance accountability and control by the College and allow a clearer attribution of responsibilities, including a greater flexibility for managers in the use of defined budgets. Finally, it would allow unprecedented access by managers at all levels to information that is currently widely dispersed and presented in formats that differ greatly. That should also facilitate much more rigorous and detailed reporting by the College and individual departments, thereby significantly improving the transparency of the Commission. The changes involved are substantial and so the objective is to start phasing in Activity Based Management immediately and to ensure that it is fully operational on a Commission-wide basis by July 2002.

To deliver Activity Based Management, the following actions are needed:

- The establishment of a new ***Strategic Planning and Programming (SPP) cycle*** synchronised with the Budget process and providing a practical basis for dialogue with the Council and the European Parliament on priority activities and resource implications. Figure 1 presents a schematic description of how the cycle would unfold over time.

The Strategic Programming and Planning cycle would be policy driven and begin with a policy circular, issued on the President's initiative and following a College debate, inviting Directorates-General to prepare proposals on Policy Priorities and Objectives, Strategic Activities and corresponding resources by Policy Area, within the financial context of the Budget for a given year. This preparation begins thirteen months before the start of the programming year (i.e. for the year 2002 it would commence in December 2000).

This process would result in the production of the draft Annual Policy Strategy (APS), a comprehensive document that included policy objectives, proposed policies and the corresponding human and financial resources by policy area. It would be the main instrument for Commission decision on positive and - equally crucial - negative priorities. The results of the Annual Policy Strategy and the orientation on budgetary priorities by policy area would be discussed with the Council and the EP and would provide the foundation for the preparation of the activity-based Preliminary Draft Budget (PDB).

While the PDB was prepared and transmitted to the Budget Authority, DGs would engage in programming of operational activities (DG mission statements and work programmes). At the same time they would establish their proposals for the Commission Work Programme for the next year. Finally, following the adoption of the Budget, the Commission would adopt its Work Programme. Flexibility will be introduced into the system in order to be able to revise priorities and resource requirement in response to changing needs within the year. A fast-track adjustment of the Annual Policy Strategy and Work programme will be provided for.

Established in this way, the Annual Policy Strategy, the Budget and Work Programme would provide greater clarity for all Community Institutions of the cost in terms of human and administrative resources of all Community policies.

- The setting up of a *Strategic Planning and Programming function* in the Secretariat General to oversee the SPP cycle. Its role would include:
 - issuing the annual policy circular following the orientation debate and drafting the Commission's Annual Policy Strategy (APS) and Work Programme in close co-operation with DG Budget and other DGs. The Strategic Planning and Programming function would bring together the information available, including ex-ante and ex-post policy evaluation and human and financial resources implications, and consequently facilitate an integrated discussion between the Institutions on policies and budgetary implications.
 - assessing the coherence of the activities proposed to implement the Work Programme,
 - promoting performance management by adopting guidelines for operational services in the planning and programming process.
- The successful introduction of Activity Based Management (ABM) will depend crucially on the development of a powerful Information Technology system for stocking and transmitting management information at strategic and operational levels. A prototype has been prepared under the name *Integrated Resource Management System* (IRMS). The scope of this instrument must now be adapted to enable it to be the basic information vehicle of ABM. IRMS will have to integrate the information systems for budget, financial and human resource management, and those needed by the new organisational entities foreseen by the Reform (Strategic Planning and Programming function, the Internal Audit Service, the Central Financial Service; see Chapter V below). The aim is not to install a monolithic and centralised informatics system, which would be too time-consuming and costly to develop, but to ensure the availability of core indicators for ABM. Attention will therefore be given to ensuring that IRMS development can be adapted to basic Commission-wide requirements, thus avoiding proliferation of disconnected systems. The availability of IRMS will be a pre-requisite for introducing ABM in individual departments. Implementation of IRMS will extend to the Commission's delegations in third countries so as to allow sound and effective decentralisation of management of external aid programmes.
- The establishment of adequate evaluation and reporting mechanisms to assess properly the effectiveness and costs of activities as an essential feedback to the Strategic Planning and Programming process. This would facilitate the identification of activities that should be considered as negative priorities. Evaluation would be carried out by dedicated teams in the operational DGs, with a lead role for DG Budget. The Strategic Planning and Programming function would synthesise the available information. An *Annual Activity Report* issued by each DG would bring together the monitoring results for its activities (outputs and results as compared to targets and use of human, administrative and financial resources) and an assessment of the quality of service provided.

III.2 More efficient use of internal and external resources

The achievement of the best balance between internal and external resources is obviously closely linked to Activity Based Management where decisions on resource allocation are integrated with priority setting and programming.

Over the past decade or so, most large public administrations and private corporations have, for reasons of management and cost-effectiveness, moved away from centralisation towards increased devolution within the organisation's boundaries and beyond. The Commission is committed to pursuing decentralisation internally where such action can be shown to be effective. In addition, consideration will have to be given to developing programme-based approaches where these can usefully substitute for systems of individual project management. In the Commission there has also been a process of external devolution but it has not been undertaken through any overall strategy. In fact, the Commission has increasingly come to rely on Technical Assistance Offices and that has often led to the serious and well-known problems of loss of accountability and control. Consequently, in devising a new policy, it is not the Commission's intention to launch a generalised externalisation of its activities. Instead, the Commission seeks to bring dependability and order to what already occurs, and is committed to devising more efficient methods for handling programmes of financial interventions. This will notably involve making urgent progress with the testing of a new type of implementing body headed by Commission staff.

A basic principle is that regulatory or negotiating activities and actions to allocate funds involving the exercise of discretionary power invested in a public administration should not be externalised. Beyond this, the Commission should refuse to take on any non-core task, which it does not consider that it is able to handle within an acceptable margin of risk, regardless of whether the task is to be managed in-house or externally. Where externalisation is chosen, it should be on the grounds that it is a more efficient and more effective means of delivering the service or goods concerned. Externalisation must never be used for administering ill-defined tasks and it must never go at the expense of accountability. Particular care will be taken to define the core tasks which will be retained in the Commission.

The Commission decided on 14 December 1999 (SEC(1999) 2051/7) to present a comprehensive policy on externalisation by September 2000. In doing so, the Commission will develop a model of external devolution (i.e. externalisation) based on the different nature of activities of which a first draft is attached in the action plan annexed to this paper (Action 13) and a clear definition of what tasks could be performed by a variety of carefully defined externalisation tools, including the new category of Community bodies. Application of a carefully defined strategy would enhance cost-effectiveness and improve accountability.

III.3 More efficient, performance-oriented working methods

There is too much red tape in the Commission and there are often too many layers involved in decision-making. The original purpose may have been carefulness but the result is frequently slow and inefficient procedures. This also has the effect of reducing motivation and the sense of individual responsibility among Commission officials. There are few Commission departments where every official has a clearly defined job description with specified annual targets against which he or she is fairly evaluated. Unclear responsibilities also imply that Cabinets (Commissioners' private offices) can often be called upon to provide co-ordination activities that could more usefully be carried out by Commission services.

The development of efficient working methods has not always been of sufficiently high priority for the Commission and the Institution has, consequently, not invested

the resources necessary to devise these methods. This, in part, explains why previous attempts to promote change have not achieved the necessary success.

To address these problems, the Prodi Commission has already taken a series of measures including clear rules on the responsibility of Commissioners, their Cabinets and Commission departments. It has also strengthened the role of the Secretariat General in reinforcing internal coordination, quality control and assessment of subsidiarity and proportionality. Over and above the new function of Strategic Planning and Programming (cf Chapter III.1) a further step has to be taken with a view to comprehensively simplifying administrative procedures and working methods and thereby offering the quickest, simplest and most transparent way of achieving objectives.

To this effect, an Action Plan will be drawn up by the end of the year 2000. The Plan should also address the definition of guidelines for mission statements and job descriptions, as well as the increased use of information technology systems, and should identify and seek to spread the best administrative practices within the organisation. The Secretariat General will be charged with the drawing up and implementation of this Action Plan. The function of strategic planning and programming and the administrative simplification mandate constitute important new tasks for the Secretariat General. Hence the need to go a step further and to appoint to this effect a second Deputy Secretary General with specific responsibility for devising more efficient performance-oriented working methods and procedures, including new rules on the delegation of responsibility in the College, and for promoting effective application of the improvements.

The measures proposed in this Chapter are detailed in Chapter III of the action plan (actions 8 to 17 in sheets VII to X).

IV HUMAN RESOURCES

The people that make up the Commission's staff are the Institution's most valuable asset and the great majority have performed, and do perform, well in difficult circumstances. However, whilst the nature of the tasks carried out by the Commission has evolved significantly over the past 10-15 years, there have been few corresponding changes in its policy and rules on human resources. As a consequence, the Commission's management, training, career development, staff assessment and social policies have become outdated – as have disciplinary rules. The arrangements for staff to expose wrongdoing have recently improved with the 1999 Regulation establishing the Anti-Fraud Office (OLAF), but they are still incomplete. These deficiencies have, in various ways, negatively affected the efficiency of the organisation and the motivation of staff. The need for significant structural change is widely recognised and was stressed by both the Williamson report and the Second Report of the Committee of Independent Experts

The aim of the current reform process is to sustain an independent, permanent and high quality European civil service that equips the Commission to fulfil its tasks as a world class organisation. To achieve this, a comprehensive overhaul of human resources policy from recruitment to retirement is required, both to permit members of

staff to fulfil their potential and to enable managers at every level to manage effectively.

It also requires the adequate matching of staff and tasks imposed on the Commission. Clearly, Reform will lead to greater efficiency and make resources available. There will be a Reform dividend from the simplification of working practices and the more effective management of resources. But more is needed. It will be essential to identify negative priorities and take the difficult resource allocation decisions these imply. Moreover, as Member States themselves have experienced, in order to reap the dividend of reform, it is necessary to invest first. The Commission will address this issue in a first assessment of the human resources implications of existing tasks in the light of Commission Reform, already announced for September 2000. In addition, the upcoming Enlargement poses a major challenge for personnel policy since it will necessitate the integration of officials from new Member States without negatively affecting the career development of existing staff. The Commission will have to reflect on suitable measures, including early retirement.

The measures proposed are based on the following considerations:

- The Commission must ensure that it has the right staff for its tasks – recruitment, training and career development policies should be modernised accordingly;
- Developing the talents of staff and rewarding merit should be at the centre of human resources policy at all levels;
- Staff's rights and obligations must be clear and adapted to the social and ethical environment in the EU;
- Reform will comprehensively address all outdated or ineffective practices to develop a new *integrated* human resources policy;
- Mobility should be expected, encouraged and regarded as a career asset.
- There will be wide consultation about changes before they are implemented, and improvements will be phased into practice in a sustained manner.

The Prodi Commission has already begun taking action on this basis. For example, it adopted the principle of mobility for its most senior officials (A1) and decided to rotate a substantial number of officials on 18 September. Subsequently, on 8 December, it adopted guidelines for appointments to A1 (Director-General) and A2 (Director) level, including robust evaluation mechanisms for evaluating merit, whilst respecting the need for geographical balance and promoting equal opportunities. Similarly, new training programmes for middle and senior management have recently been launched.

These advances now need to be followed up through a comprehensive reform of Human Resources Policy, which spans management, career development, the use of contractual staff, rules governing the working environment, and measures to clarify the rights and obligations of officials. The proposals are set out in the following sections and detailed in the annex.

IV. 1 Management

Good management performance is obviously crucial to the success of any organisation. Whilst Reform generally will facilitate better management by introducing clearer rules and a better definition of responsibilities, specific action in

this area is also needed to raise the standards of management skills and to ensure their effective use at all levels throughout the Commission.

The Commission will consequently give more weight to the criterion of management abilities in selection/appointment procedures. It will follow up the Commission Decision of 8 December 1999 on appointment to A1/A2 jobs by introducing individual performance assessments for A1 (Director-General) and A2 (Director) officials. Following the introduction of mobility rules for A1 officials, such rules will also be introduced for A2s to ensure periodic rotation.

Performance of managers at all levels including A1 and A2 officials will be systematically evaluated. Moreover, appointments to all management positions will at first be for a probationary period. Finally, the principle of reversibility will be introduced: managers not reaching the required standard would revert to a non-management position.

A systematic programme of management training will be introduced for managers at all levels, and satisfactory participation in such courses will be a requirement for anyone exercising management responsibility. Consideration will be given to setting up a dedicated training facility for senior management. Access to this facility should be granted in a transparent manner to the best and most promising middle-managers, taking account of the need to ensure geographical balance and to promote equal opportunities.

IV.2 Career development based on merit

Recruitment

Existing recruitment policy and selection methods have been demonstrated to be costly and outdated. They require fundamental overhaul. It is proposed to base the Commission's new recruitment policy on the following considerations:

- The programming of Commission activities and the definition of agreed competency profiles, based on job analyses, should lead to forward planning of human resources needs (in terms of quality and quantity),
- The definition and delivery in an efficient and cost-effective manner of selection procedures designed to attract and identify candidates who most closely match the competency profiles, with more emphasis on aptitude;
- Given the importance of the recruitment function for the Commission, it is important that it retain overall control of selection procedures. Its implementation should be as fair and as cost-effective as possible. Decisions concerning the organisation, and in particular the deconcentration, of the selection process should be taken in the light of the above objectives.

Career guidance and mobility

A central Career Guidance function will be available for all officials throughout their career to assist them and to ensure that the administration can better match its staff with jobs, assess and guide mobility in the Institution, and provide the necessary training.

Following recruitment, the Commission must make best use of the skills of new staff and help them to develop their potential in the multinational environment of the Commission. It is therefore proposed that most newly recruited officials enter a New Officials Programme (NOP) for a period of some 18 months in which further training and coaching would be provided. Such officials would be recruited on a temporary basis, coached intensively and assigned to at least two Commission departments. Permanent positions will, in general, only be offered to officials having completed the NOP. However, provision will be retained for the Commission to continue recruiting specialist staff, for whom adequate training would be mandatory. Taking full account of the time spent on the NOP, the probationary period for all officials will be extended to allow for identification of individuals who are unlikely to ever become productive civil servants

Training

The overall objective is to provide the right training to the right people at the right time in a cost-effective manner as part of an overall strategy for the optimum management and development of human resources in the Commission.

Some significant progress has been made in this field but it must be substantially extended in order to develop training as an integral part of evaluation, career guidance and development, improving job satisfaction and preventing incompetence and under-performance. At certain stages of an official's career, specific actions may be recommended (such as strengthening drafting skills or 'managing diversity') while others should be mandatory (for example, induction courses, training in budget and finance, and management skills). A priority list of mandatory, recommended and voluntary training actions will be established. Current training budgets in the Commission are well below best practice in Member States; a significant increase is needed and must be secured.

Career structure

The present distinction between different categories of staff is heavily based upon qualifications and training at the moment of recruitment. As a consequence, it does not adequately relate individual abilities to the needs of the Institution with any real precision, nor does it make any assessment of broader capabilities – for instance decision-making capacities or managerial potential. In addition, it often takes insufficient account of qualifications acquired by B, C and D category staff after recruitment, of their individual skills and of the reality of the tasks which they perform. Movement between categories is difficult and internal competitions are not organised regularly. With only a limited number of grades, significant bottlenecks occur in the top echelons of B, C and D categories and at A4 level. As a result, the current system acts as an artificial constraint on the advancement of individuals who manifest particular talent and capability. That works to the detriment of those people and it disadvantages the Institution.

It is, therefore, proposed to introduce a linear career system without categories, with more grades than in the current system and with a smaller number of steps per grade. Recruitment of officials would be at various levels concomitant with minimum levels of qualification and professional experience. In addition, officials charged with carrying out special responsibilities linked to specific well defined functions would be

granted a reward for the duration they satisfactorily occupy this function in the form of payment at a higher grade. Seniority will, meanwhile, be acknowledged by progress through steps in the grade. Finally, the system should ensure that there are good career possibilities for officials who are not managers, but who command knowledge and skills valuable to the organisation.

Evaluation

Given the central role that merit will play, it is essential to devise a rigorous evaluation system and make it the key feature of the new Human Resources Policy. This clearly requires the definition of precise mission statements and job descriptions for all officials. The development of such a system should, therefore, dovetail with the establishment of Activity Based Management (see Chapter III) which comprises the same elements as part of a system aimed at better planning and programming.

An annual evaluation system based on extensive dialogues and the use of “two-way feed back” has to be established. The system would have two distinct roles:

- The first would be to provide staff with objective description of, and feed back on, work carried out, and to encourage staff to do better through a detailed qualitative assessment of each individual’s performance judged against their job description and objectives. Evaluation reports should first and foremost be factual, describing in great detail what officials have done, and what results they have obtained. The system should integrate discussion of career development issues such as training and mobility.
- The second would be for the administration to assess fairly both past performance and, where appropriate, the potential that the individual being assessed may have to assume other and/or more significant responsibilities. Merit would be at the basis of promotions and the assessment should, consequently, include the attribution of a mark (or marks). Merit is a relative concept and this would provide management with an incentive to assess individuals for promotion as compared to their peers. Inflation in marks will, therefore, be prevented by the introduction of a fixed quota or ‘ration’ of marks to each Directorate General or equivalent. Mobility will be regarded as a career asset. Finally, the staff report system for management should include an element of assessment of managers by their staff, with full safeguards for those assessing managers.

As referred to above, a specific evaluation system for A1 and A2 officials will also be developed. This will assist the Commission in judging A2 candidates for promotion. More work is also needed to evaluate and benchmark the work of the evaluators. This upgraded evaluation system will play a much greater role in determining promotions.

Procedures to help underperforming staff

The career guidance function will include counselling apparent underperformers and drawing up a skills review, possibly with the help of outside specialists. Better evaluation will give rise to earlier detection of underperforming staff. Clearly, it is in the interests of both the staff and the Commission to effectively prevent cases of underperformance. An early warning system will be set up to detect potential cases of underperformance and trigger rehabilitation measures (e.g. training, reassignment to another post)

A clear definition of each official's tasks will already give them and their manager an agreed basis on which to assess performance. A vademecum will provide a clear definition of underperformance as well as the procedures for dealing with it.

In addition, a specific procedure that is distinct from the disciplinary procedure will be introduced for dealing fairly with established cases of professional incompetence.

IV.3 Non permanent staff

Over the history of the Commission, and particularly in recent decades, there has been a proliferation of the types of contractual staff who are not permanent civil servants. The situation is confusing, untransparent and expensive. Moreover, it does not guarantee that core tasks are performed by members of staff who are accountable to the high standards laid down in the Staff Regulations. The Commission will, therefore, make a proposal to convert part of its budget for contractual staff into permanent posts to increase transparency and improve cost effectiveness.

Clarification and simplification of the rules under which contractual staff operate is essential to remedy the lack of transparency. Furthermore, new rules should allow for the flexibility to execute certain policies with contractual staff; for example to deal with the need to attract individuals with specific technical knowledge. Moreover, there should be better possibilities for officials in both Member States and the Commission to rotate between the Commission and Member State administrations. There is an important link between these rules on the one hand and the policy on externalisation (see III.2) and Activity Based Management (ABM) on the other hand: the rules for contractual staff would vary in function of the model of activities in ABM, and the scope of use of contractual staff in the Commission obviously has an impact on the need for external devolution.

IV.4 Working environment and equal opportunities

Working environment

The legacies of the past mean that the organisation of work in the Commission tends to be very rigid with heavy layers of authority. There is also insufficient understanding of how the cultural diversity which characterises the Commission can affect working relationships. Further enlargement of the European Union will increase this diversity. Finally, the working culture in the Commission makes it hard for many individuals to reconcile their professional and private lives.

The purpose of action in this area is to make the Commission a model employer which offers its staff a good working environment. Greater emphasis will be put on training that relates to working in a multicultural environment and to managing diversity.

There is a growing demand from officials of all grades for more flexible working hours. In a more results-oriented organisation, these aspirations must now be met, since they could provide increased flexibility and productivity for the Commission and better motivation and job satisfaction for the individuals. Measures will be taken to facilitate flexible working including flexitime, job sharing, part-time working and teleworking. In order to allow parents to balance their professional lives with their

family obligations, a right to parental leave will be introduced for both parents. Moreover, the existing provisions on maternity leave will need to be improved.

Equal opportunities

The improvements sought in the working environment of the Commission are likely to make a significant contribution to promoting equal opportunities.

In addition, the Commission has already committed itself to tackling the current gender imbalance in the staffing structure, for example by giving women preference for senior appointments when there are male and female candidates of equal merit. It has also set itself the minimum target of doubling the number of women in top management by the end of its mandate. In no case should geographical balance be an obstacle to appointments. At the entry level, the organisation of competitions will encourage the participation of women and improved access to, and provision, of training for management should enhance potential promotion opportunities.

IV.5 Transparency in terms of rights and obligations

Discipline

Few of the Commission's employees ever have reason to encounter the disciplinary system, but the current disciplinary proceedings hinder the Commission in developing a truly effective policy of preventing and dealing with the cases of misconduct that do occur in this organisation, as in any other. The system is too slow, has many layers of procedure and is characterised by a disciplinary board that varies in composition and has no external element. Moreover, staff are not sufficiently well informed about their obligations and the possible consequences of breaches.

Action in this field will aim at making the system more effective and less subject to delays, inter alia by establishing an Inter-Institutional Disciplinary Board and by setting up an Attorney's office in the Commission to bring the Administration's case to the Disciplinary Board and to represent it there. Clear information will also be provided to staff on their obligations and on sanctions.

Whistleblowing

All responsible organisations, particularly public administrations, need to ensure that provision is made to ensure that employees who have serious reason to suspect that wrongdoing either has taken, is taking or could take place can report their concerns and be sure of thorough investigation and effective response. In the Commission, there is therefore need to clarify the rights and obligations of officials who report alleged wrongdoing and to provide a workable system that is fair to "whistleblowers", to people accused of wrongdoing, and to the Institution and consistent with the need to ensure that, when legal or administrative proceedings are undertaken, they are not compromised by untimely disclosures of evidence.

The OLAF Regulation which entered into force in June 1999 provided improved indications of the channels to be used for reporting irregularities. The direct hierarchy, the Secretary General and OLAF have an important role to play in this context.

These rules now need to be complemented in order to develop a set of clear rules for whistleblowers. Action is specifically needed to establish more precisely the rights and obligations of officials to report wrongdoing responsibly through internal channels (but not exclusively in the hierarchical line) and also to define appropriate rules for external reporting channels. A reinforced central mediation service should act as a contact point for cases of alleged wrongdoing that do not involve alleged fraud or action affecting the financial interests of the Community.

In keeping with best practice in Member States, necessary protection, consistent with the provisions made in the OLAF Regulation, will be provided for officials making reports through the legally established means, and safeguards will be provided against frivolous or malicious allegations.

Pay and pensions

The objective of Reform is to ensure that the Commission is an international public administration where the highest standards of performance, integrity and service prevail. Quality should be properly remunerated and the general conditions of employment of Commission staff should, therefore, not deteriorate.

Meeting these objectives means that major challenges for the pay and pension system will have to be faced. First, the current system for adjusting salaries will expire in June 2001. Secondly, there is a legal obligation to achieve an actuarial balance of the pension regime. The Commission will present an integrated proposal on pay and pensions detailing how these objectives can be met effectively and in the interests of the Community and the staff of the Institutions.

Developing transparent Staff Regulations

The application of the current Staff Regulations and the rules for their implementation are complicated and, therefore, not transparent. This is mainly due to the fact, that over time, the Staff Regulations have undergone several amendments and that a large number of implementing Inter-Institutional legal texts, Commission decisions and administrative procedures have been adopted. As a result, no clear, consolidated set of rules is available. Some of the existing rules are manifestly outdated. An effort is needed to simplify and consolidate these texts and to make them more transparent.

Many improvements can be made by means of changes to implementing legislation and administrative procedures. These changes will be undertaken as part of an on-going commitment to simplify and clarify staff's rights and obligations.

It is less easy to change the Staff Regulations themselves, since they are Inter Institutional texts and can only be modified through a cumbersome procedure. This makes it difficult for the Commission to adjust certain of its internal rules to a changing environment and new tasks. The problem is accentuated by the fact that the Staff Regulations seem to contain a number of unnecessarily detailed rules. There might therefore be a case for introducing a lighter framework Regulation in implementation of which each Institution would be free to lay down more detailed rules.

Clearly, the fundamental common principles of the European Civil Service (e.g. the right of representation, rules on discipline, career structure etc.) must continue to be enshrined in Inter-Institutional Staff Regulations to ensure that they are binding on all staff. Any decision to move towards a lighter framework agreement should therefore be taken only if it can be demonstrated to have a real added value. There should not be change for change's sake.

Conclusion

The implementation of certain of the actions set out above can begin in the near future as no changes to the Staff Regulations are required. This applies, in particular, to the following key measures:

- Introduction of an improved evaluation system;
- Increasing the importance of training; and
- Certain of the suggested improvements to the working environment.

Other actions cannot be fully implemented under the current rules and would need a change in the Staff Regulations. These include:

- Introducing a new career structure;
- Improving the disciplinary system; and
- Modernising the provisions of the Staff Regulations relating to maternity and parental leave.

The Commission intends to tackle these challenges as follows. It will set out its proposals for the policy areas highlighted above in a number of Communications, to be published in the course of 2000. On the basis of the orientations in this document, the Communications will develop policy proposals which seek to emulate best practice in Member States and in other international organisations. These Communications will, highlight any changes to the Staff Regulations required for full implementation. They will be available for consultation and will subsequently be acted upon swiftly, within the existing legal constraints. After the completion of the full consultation process (consisting of two stages and involving both the Commission staff Unions and the Inter-Institutional Staff Regulation Committee), an integrated consolidated proposal for Staff Regulations containing all necessary changes will be made to the Council in 2001. Following adoption of this proposal – targeted for the second half of 2002 - the Reform of personnel policy can be fully implemented.

<p><i>The measures proposed in this Chapter are detailed in Chapter IV of the action plan (actions 18 to 53 in sheets XI to XXII).</i></p>

V AUDIT, FINANCIAL MANAGEMENT AND CONTROL

A central objective of the Reform is the creation of an administrative culture that encourages officials to exercise responsibility for actions over which they have control – and to have control over the actions for which they are responsible. Amongst other things the Commission is responsible for handling large sums of taxpayers' money. Improvement and modernisation in financial management are, therefore, needed on their own merits and in order to make a direct and practical contribution to raising operational standards generally.

The Commission's systems for financial management and control are no longer adapted to the type and quantity of transactions with which they have to deal. When the existing centralised systems were designed, the Commission handled sums of money that were very small by today's standards. Financial transactions have since grown exponentially – for example, they doubled in the past 5 years. External aid commitments have increased by a factor of 4 over the last two years and are set to grow by a further 46% between 1999 and 2000. Procedures, consequently, need to be simpler, faster and more transparent and decentralised. There needs to be a clear distribution of tasks and responsibilities to all participants – financial and 'technical' – who have a role in managing operations with financial implications and adequate organisational structures and rules are also essential.

A key component of better financial management will be the new discipline introduced by Activity Based Management (described in part II of this White Paper) in the allocation of resources of all kinds to the Commission's priorities. This should lead to a situation whereby the Commission no longer finds itself in the position where it has taken on tasks without the means necessary to execute them properly.

In addition, the following actions are needed:

- It must be ensured that ***authorising officers and the whole management line take responsibility*** for the quality, regularity and efficiency of their actions. Rules consequently need to be communicated to all officials in a consolidated, simplified and easily accessible format.
- The ***financial management, control and audit system*** in the Commission needs to be radically overhauled, brought up to date and made consistent with best practice. To make the best use of resources and expertise, and to take account of the different types of spending under the Commission's responsibility, this must involve the establishment of new organisational structures in the Commission and the phasing out of others. Progress with reducing payment delays and recovery of funds unduly paid will be benchmarked.
- A series of measures needs to be taken to ***better protect the Community's financial interests***, notably involving fraud-proofing of legislation, not only at the proposal stage but throughout the legislative process, and significantly improved co-operation between the Commission and Member States where, as the Court of Auditors reports, the "vast bulk" of expenditure that is not properly used and/or accounted for takes place.

V.1 Defining the responsibilities of authorising officers and line managers

The conditions for creating a real sense of responsibility for sound financial management are, first of all, a clear definition of tasks; secondly, making sure that everyone knows and understands their responsibilities; thirdly, quality control built into the management processes; and, finally, fair and trusted means for dealing with breaches of the rules.

Financial management is but one aspect of operational management. The delegation of the power to authorise expenditure has to be consistent with the chain of responsibility of the management process, from the ordinary official to the Director General and the Commission.

The Commission will, therefore, draw up clear rules for defining the responsibilities of each financial actor. Consequently these will be given to each financial actor at the time of his or her nomination and accompanied by appropriate training. Failure to meet the standards set will result in withdrawal of the responsibilities. Training will also be provided to operational staff responsible for programmes involving expenditure, in particular on project management, the public procurement process and the granting of subsidies.

These rules on the responsibility of authorising officers will also establish procedures for delegating responsibilities within departments for authorising expenditure. As far as possible, the person who takes the operational decision to go ahead with an action involving expenditure should be the person who authorises the expenditure, but care should be taken to ensure that there is an adequate system to check the regularity of transactions.

The best means of ensuring respect for rules and procedures is to make them readily accessible to all officials in a form which is consolidated, simplified, clearly set out and easily accessible. The rules will, therefore, be codified and presented in simple manuals which will be up dated as needed.

The need for simpler consolidated rules and procedures is especially urgent for grants and procurement. Competitive procedures for allocating finance, full information about financing possibilities, fair treatment of all bidders, transparent selection procedures, publication of the results, and proper follow-up and evaluation are principles that must be rigorously applied. The problem of drawing the dividing line between a grant and a procurement procedure needs to be settled: advice should be available for authorising officers from the Contracts unit of the Central Financial Service (see V.2) on what type of procedure to follow. This will be addressed in a separate section of the proposal to revise the Financial Regulation. Last, the Commission will propose improvements to its procurement procedures, and notably consider the creation of an independent body to handle complaints against procurement procedures.

In cases of financial error or suspected irregularity which do not involve fraud, and without calling into question the role of OLAF, the Director General will, before initiating a disciplinary procedure, submit the case to a Panel with a help desk function to advise on possible financial irregularities to be set up by 1 July 2000. This panel would only have an advisory function. The official will, of course, be heard by the Panel. The advisory Panel is an intermediary step between the detection of an irregularity and a launching, if appropriate, of a formal disciplinary procedure. As far

as possible, the Panel will recommend corrective and preventive measures to the Director General.

V.2 Overhauling financial management, control and audit in the Commission

The existing financial management system in the Commission has been heavily criticised, internally and externally, for not being able to prevent significant wrongdoing in a number of important cases (e.g. the Committee of Independent Experts' reports). Essentially, the current financial ex-ante control consists of a centralised checking of financial transactions against procedural rules laid down in the Financial Regulation – the “ex-ante visa” – that has proved inadequate for comprehensively analysing the added value and regularity of financial operations. The result is that decision-makers in departments are given a false sense of security by that system, which has created a culture that “deresponsibilises” managers. At the same time, due to its cumbersome and procedurally complex nature, it causes difficulties for the efficient execution of the Budget.

Finally, the Financial Regulation also gives the responsibility for ex-ante vetting (the visa) and ex post evaluation of systems (audit) to the Financial Controller, thereby creating a significant potential conflict of interest in the Financial Control DG.

Proposals for change

The solution proposed in this paper – presented schematically in Figure 2 – is to decentralise control activities currently performed under the responsibility of the Commission's Financial Controller to DGs, to give direct responsibility to Directors General for ensuring adequate internal controls in their departments and to make managers wholly responsible for financial decisions taken. The ex-ante visa would be abandoned, following a change to the Financial Regulation, and the Financial Control DG would be dissolved.

Finance Units within Directorates General will provide advice and assistance to operational Units. Given that spending profiles and requirements for financial management vary across services, the Director General will define the appropriate financial processes to be followed by his or her service. A set of minimum standards for all services will be defined in line with the principles laid down in this paper.

A Central Financial Service providing advice to operational departments in the Commission and, where appropriate, Member States needs to be created. This service, under the direct responsibility of the Budget Commissioner, would define minimum standards and advise on the application of the financial rules and procedures, which would be laid down in the Financial Regulation.

An Internal Audit Service, under the responsibility of the Vice-President for Reform, needs to be set up to carry out the ex-post examination of the Commission services' internal control and management systems and operations as well as performance in general. It should also provide necessary advice to management, on the basis of assessed risk.

Finally, an Audit Progress Board, would also be set up to assign responsibilities in the Commission relating to the follow-up to be given to audit reports, to monitor progress and to ensure that the Audit Service's work is fully embedded in the Commission. The Board would be chaired by the Budget Commissioner and would further be composed of the Vice-President for Reform, two other Commissioners and, possibly, an external member. All new services and the Board would be set up by 1 May 2000.

This solution would ensure that responsibilities are properly assigned to managers taking decisions with financial implications who, in turn, are properly advised and guided by a central financial function. To complement this, the Internal Audit Service will play an important surveillance role and its recommendations will be given due attention through the Audit Progress Board. This approach, therefore, fully remedies the ‘deresponsibilising effect’ and the potential conflict of interest between financial control and internal audit that characterises current arrangements.

The Transition

The transition to the system set out above will be complex and cannot be achieved in the very short term. The existing legal framework, notably the current Financial Regulation, requires the maintenance of the ex-ante visa and enshrines the role of the Financial Controller as being responsible for ex-ante financial control and internal audit. As a result, the ex-ante visa as carried out by the Financial Control DG cannot be ended immediately or be replaced by an automatic technical visa on all transactions.

The Commission intends to address this problem by two actions. First, in order to limit the duration of the period of transition to the new system as much as possible it intends to come forward as part of the revision of the Financial Regulation with a proposal that would allow the responsibilities for financial control and audit, respectively, to be separated. This would make it possible for the Commission to transfer the responsibility for internal audit from the Financial Controller to another senior official with equivalent independence (the Internal Auditor). The Commission would hope that this part of the Recasting of the Financial Regulation could be processed speedily and adopted as soon as possible.

Secondly, pending the adoption of the general revision, the Commission would immediately begin to decentralise control activities – currently performed under the responsibility of the Financial Controller – to operational DGs whose control systems are found to be adequate. Moreover, a much more radical use of sampling methods for ex-ante visa controls and the reinforcement of departments’ internal controls would also be undertaken immediately. Finally, the Financial Controller would report separately to the Vice-President for Reform on internal audit, thereby immediately reducing the potential conflict of interest.

V.3 Protecting the Community’s financial interests

A series of measures are necessary to maximise the prevention of irregularities and the fraud-proofing of legislation and of financial management rules and procedures. These cover a wide range of actions by the Commission including:

- Guidelines for sound project management
- Better co-ordination of interaction between the independent Anti-Fraud Office (OLAF) and other services
- Involving OLAF in fraud-proofing of legislation and tender and contract drafting
- More effective management of recovery of unduly paid funds

Moreover, co-operation between the Commission services and between the Commission and Member States, notably in the area of Structural Funds and of the EAGGF clearance procedure, will need to be better defined to ensure that more

effective action is taken to improve the prevention and detection of irregularities, fraud and corruption.

The measures proposed in this Chapter are detailed in Chapter V of the action plan (actions 54 to 84 in sheets XXIII to XXVIII).

VI DELIVERING AND SUSTAINING REFORM

This paper is circulated in draft to allow for extensive discussion and consultation with staff and staff representatives, the European Parliament, the Council and other interlocutors until mid-February. On that basis, the Commission will hold a seminar to consider the consequences to be drawn from the consultation exercise and consequently adopt the White Paper on Reform on 1 March 2000.

Implementation of many measures will subsequently start immediately as set out in this document and in the action plan in annex. A proposal to change the Financial Regulation will be published in April. In addition, the Commission will table Communications setting out the proposed approach in areas where this paper provides general orientations. This is particularly true for “Externalisation” and for various important decisions on Human Resources policy, e.g. on career development and structure, discipline, recruitment etc. Clearly, some of these measures would require significant changes to the Staff Regulations, on which an integrated proposal to the Council will follow in 2001.

The Commission will extend the internal resources it has already put in place to drive forward Reform. It will appoint a Deputy Secretary General with the task of making the Commission’s working methods more efficient, cutting red tape and simplifying systems. This measure is intended to strengthen co-ordination, not to increase controls. A large number of departments will be involved in preparing the actions proposed in this paper. The Commissioners Group on Reform will continue to exist to spearhead the Reform process and prepare the monthly debate on Reform in the College. The Reform Task Force will remain in place to facilitate the implementation of reform and to provide clarification and support to individual DGs. In addition, four Planning and Co-ordination Groups, each chaired by a Director General, are being set up to assist the operational services and the Reform Task Force in producing the various proposals by bringing in a “user perspective” and mobilising staff across a wide spectrum of Commission departments. These groups will address, respectively, the setting up of the Internal Audit service, the overhaul of the Financial Circuit, Externalisation, and Human Resources Policy. RELEX Commissioners will continue their work on improving management and delivery of external aid programmes, supported by the Review Group created for this purpose, and will bring forward a communication in this area in Spring 2000. Finally, the Vice-President for Reform will also set up an External Advisory Group composed of leaders from industry and public administrations to further advise him on the reform process.

But the Commission cannot achieve the objectives of comprehensive Reform on its own. Reform can only truly succeed if there is a parallel change within the Council and the Parliament so that, when they ask the Commission to assume new tasks, they are conscious of the implications for the Commission’s ability to execute existing

responsibilities. The Commission may need, on occasion, to refuse these tasks: the other institutions should not regard such a refusal as a negation of the democratic will but as responsible and reasonable behaviour necessary to safeguard the interests of EU citizens and taxpayers. However, better planning and programming of activities and improved dialogue between the Institutions should prevent matters ever getting to such a situation.

Finally, as legislators, the Council and the European Parliament will also handle the revision of the Financial Regulation and the Staff Regulations. Achieving the objective of full implementation of the action programme set out in this White Paper by the second half of 2002, therefore, requires the support and commitment of all European Institutions, each of which has emphasised its desire for effective and comprehensive Reform.

VII CONCLUSION

This paper sets out a comprehensive programme of Reform starting in March 2000 and running over the period up to the second half of 2002. The Commission will continue throughout its Mandate to modernise and improve its organisation but believes that the main instrumental and procedural changes required to bring the organisation up to the best practices operated world-wide will have been put in place if this programme is delivered on schedule.

By the end of 2002, the Commission expects to have made significant progress with implementing many of the key priorities identified in this paper. This will continue in 2001, under existing legislative arrangements. Provided the Commission's legislative proposals can be agreed quickly by Council and Parliament, by the middle of 2002 the Commission intends to have implemented a comprehensive strategy and planning process under which priorities and resources would be matched and the Commission could, with confidence, know how it will carry out existing and future tasks. On the basis of such a mechanism, the Commission will be able to give credible undertakings to the Parliament, to Council, and to the citizens of Europe that any function accepted by the Commission will be carried out efficiently, effectively, reliably and with proper accountability.

The Commission will also have applied a human resources policy under which its staff have satisfying and fulfilling work and management can use staff resources effectively, flexibly and fairly. We will achieve this by implementing an integrated personnel policy from recruitment through training and career development all the way through to retirement. It will be a personnel policy based on merit, including a full emphasis on evaluation of staff, and on encouraging motivation. The Commission intends to continue to compare its own personnel practices with those of other relevant organisations to ensure that we keep up with best practice and do not lag behind.

Improvements to financial management can begin today with a number of the measures outlined in this paper. With the necessary legal changes to the Financial Regulation, the Commission will, by 2002, have implemented a radical overhaul of its financial management systems designed to ensure the full responsibilisation of its staff and effective and accountable working practices.

Taken together, these measures, if fully implemented, will embed the key principles of accountability, responsibility, efficiency and transparency in the Commission's working practices, will emphasise good service and value for money and will thus ensure that the Commission earn fresh confidence and trust among the citizens of Europe.

No amount of change to practices and procedures can substitute for the full-hearted commitment of staff at all levels to implementing these principles and delivering an efficient and transparent Public Service. As professionals, many already manifest readiness to follow this course and much of the change which makes up the Reform process is directly related to encouraging and enabling them.

The publication of this paper is only a start. The hard work begins with the implementation of the 84 actions set out here. For this to be successful, everyone from Commissioners downwards will need to be fully involved in the greatest internal challenge for the organisation since its inception: delivering an international public service that is truly worthy of the current and future European Union.

ANNEX 1 TO CONSULTATIVE DOCUMENT ON REFORMING THE COMMISSION

◆ KEY REFORM ISSUES ◆

I. KEY CHANGES IN ADMINISTRATIVE FUNCTIONS AND STRUCTURES INTRODUCED BY THE REFORM¹

A. New

Under the authority of the President, a **Strategic Planning and Programming** function in the Secretariat-General will assist the College in setting priorities and allocating resources and in promoting performance management and a second **Deputy Secretary-General** will have the specific responsibility for devising more efficient working methods, cutting red tape and simplifying systems.

An **Internal Audit Service**, under the responsibility of the Vice-President for Reform, will carry out the ex-post examination of the Commission services' internal control and management systems and performance, and provide necessary advice to management. An **Audit Progress Board**, under the responsibility of the Budget Commissioner, will ensure that the recommendations are followed up.

An **Inter-institutional Committee on Standards in Public Life** will supervise the general code of conduct applicable to all European Institutions, monitor the implementation of the specific code of conduct of each Institution and provide advice on ethics and Standards on Conduct.

B. Adapted

Building on the existing structure, a central **Career Guidance** function will ensure that the Commission can better match its staff with jobs, assess and guide mobility and provide training.

Bringing together existing functions and adding new ones, a **Central Financial Service**, operating under the responsibility of the Budget Commissioner, will define the financial rules and procedures, provide advice to operational departments and develop and manage common financial management information systems.

¹ For a full overview of all administrative functions and structures see action plan.

Building on the existing structure, a **Central Mediation Service** will be created to offer assistance to staff members reporting alleged wrongdoing that does not involve fraud or other action affecting the financial interests of the Community.

An **Inter-institutional Disciplinary Board** and an **Attorney's Office** in the Commission (that will bring the Administration's case to the Disciplinary Board) will replace the present Disciplinary Board.

C. Abolished

The current **DG Financial Control** will be abolished following the incorporation of its internal audit activities into the Internal Audit Service and the abolition, in the new Financial Regulation, of the ex-ante visa by the financial controller.

The **Inspectorate General of Services** will be abolished following the incorporation of its activities into the Internal Audit Service.

As part of the programme of administrative simplification the second Deputy Secretary-General, the Strategic Planning and Programming function and the Internal Audit Service will study any further changes to simplify existing functions and structures.

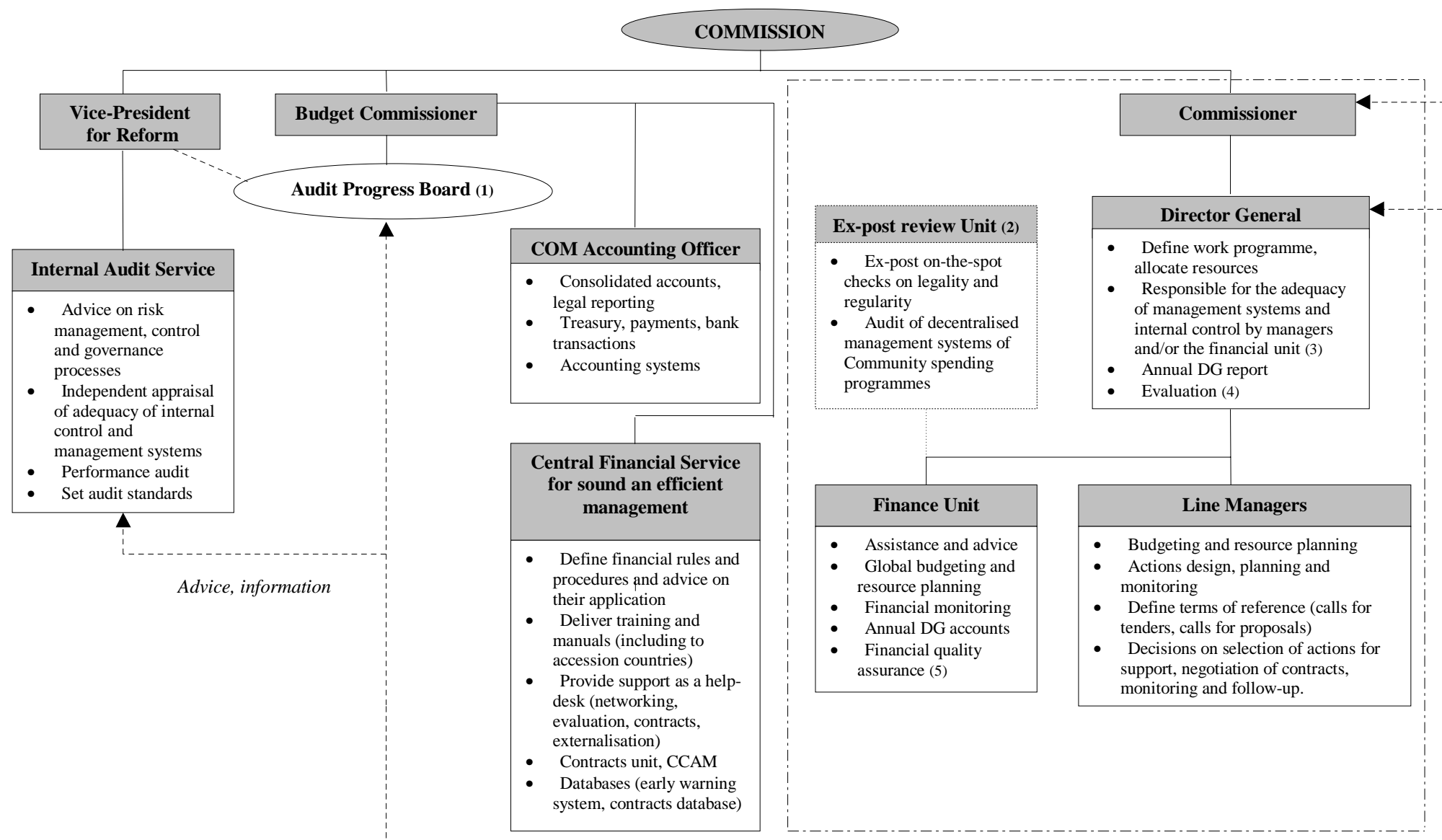
II. CHRONOLOGY OF KEY REFORM ACTIONS¹

YEAR	QUARTER	KEY REFORM ACTION
2000	2000/I	Commission proposal for a Regulation on public access to European Parliament, Council and Commission documents Continuing work on the development of the information technology tool (Integrated Resource Management System) to support the introduction of Activity-Based Management.
	2000/II	Commission proposal for recasting the Financial Regulation (including the suppression of the <i>ex-ante</i> visa). Creation of an Internal Audit Service, an Audit Progress Board and a Central Financial Service. Strengthening of internal control in Commission departments. Appointment of second Deputy Secretary-General. Diffusion of Activity-Based Management.
	2000/III	Establishment of the new Strategic Planning and Programming cycle (SPP) necessary for the operation of Activity-Based Management. Commission Communication on externalisation. Commission Communication on the resource implications of reform.
	2000/IV	Commission Communications on discipline, professional incompetence, whistleblowing, new career system and new management policy. Commission decision on a financial corrections mechanism for the Structural Funds. Phasing out of the <i>ex-ante</i> visa in terms of financial control. Commission Action Plan on the simplification of administrative procedures.

¹ For a full chronology of all actions see Annex 2

YEAR	QUARTER	KEY REFORM ACTION
2001	2001/I	Commission Decision on further decentralisation in terms of internal working practices. Consultation of OSPs within Commission on the proposed changes to the Staff Regulations.
	2001/II	Contracts database. Commission decisions on a new evaluation system for staff, a new promotion system for staff and a new management policy. Consultation of Inter-Institutional Staff Regulations Committee on the proposed changes to the Staff Regulations.
	2001/IV	Commission submits integrated proposal to Council on the changes to the Staff Regulations necessary for Reform.
2002		Agreement by Council to the amendments to the Staff Regulations and the Financial regulation necessary for Reform. Commission adopts review of progress on Reform.

FIGURE II: OVERVIEW OF THE NEW STRUCTURE FOR FINANCIAL MANAGEMENT, CONTROL AND INTERNAL AUDIT



- (1) The Audit Progress Board will assign responsibilities in the Commission relating to the follow-up to be given to audit reports, to monitor progress and to ensure that the Audit Service's work is fully embedded in the Commission.
- (2) Those DGs with significant spending responsibilities need to maintain units dealing with ex-post checks on activities in the field and the review of management systems both inside and outside the Commission as appropriate. They should report to the Director General and communicate their findings regularly to the Internal Audit Service.
- (3) The authorising officer checks the validity of the discharge ('*acquit libératoire*') for each transaction. The '*acquit libératoire*' implies that the invoice is ready to be paid by the accounting officer.
- (4) The Director General will define the most appropriate structure to perform this task.
- (5) The Director General to decide whether the financial quality assurance should include ex-ante control of transactions (*watchdog*).

Annex 2 to Consultative Document on Reforming the Commission

TIMETABLE OF ACTIONS

ACTIONS 2000 / 2001

II. A CULTURE BASED ON SERVICE

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	January 2001
SG/ADMIN	a. Standards of behaviour in public life 1. Interinstitutional agreement to create a Committee on Standards of behaviour in public life				√							
SG, SJ	b. Good administrative behaviour 1. A Code of Conduct for Good Administrative Behaviour	√										
SG, SJ	c. Public's Access to documents of Community Institutions 1. Proposal for a Regulation on public's access to European Parliament, Council and Commission documents	√										
ADMIN/INFSO ADMIN/OPOCE/ INFSO ADMIN/OPOCE/ INFSO	d. Europa and Europa+ 1. Technological choices 2. Matching users need 3. Editorial board					√						
										√		
										√		

√ = Target Month

>> = Ongoing process or preparation time

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TIMETABLE OF ACTIONS

ACTIONS 2000 / 2001

III. PRIORITY SETTING AND RESOURCE ALLOCATION

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	January 2001
ABM ,SG,BUDG, TFAR ABM, SG,BUDG, TFAR ABM,MARKT,DI ABM,TFAR,SG ABM,SG,BUDG	a. ABM							√		√		
	1. SPP cycle	√				√						
	2. SPP function	>>	>>	>>	>>	>>	>>	>>				
	3. IRMS		√									
	4. Diffusion of ABM			√								
	5. Decision on strenghtening of the evaluation system											
PCG EXT	b. Externalisation		√					√				
IGS/IAS ADMIN/PCG SG,ADMIN SG,ADMIN IAS SG	c. Working methods							√		√		
	1. Decentralisation, review and analysis											
	2. Decision on further decentralisation			√								Feb
	3. Guidelines for organisation charts					√						
	4. Mission statements and Job descriptions			√	>>	>>	>>	>>	>>	>>	>>	
	5. Audit of organisation charts										√	
	6. Action plan simplification of procedures and working methods											

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TIMETABLE OF ACTIONS

ACTIONS 2000 / 2001

IV. HUMAN RESOURCE DEVELOPMENT

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan 2001	2001
ADMIN/PCG/HRD	a. Improving management performance												
ADMIN/PCG/HRD	1. <i>Improved selection of managers</i> =implemented					√							
	2. <i>Further improvements of the selection of senior managers</i>								√				
	a. Strategy to enable women to reconcile professional life with family commitments		√						√				
	b. Improvements of the operation of the CCN												
ADMIN/PCG/HRD	c. Assessment of the application of rules on merit based appointments								√				
	3. <i>Draft Commission Decision on management</i>								√				
	Adoption of Commission Decision											April	
	Performance assessment A1/A2								√				
ADMIN/PCG/HRD	4. <i>Considering training facility</i>					√							
ADMIN/PCG/HRD	b. Recruitment policy								√				
	1.-3. <i>Draft Commission Decision on recruitment policy</i>								√				
	Adoption of Commission Decision											April	
	Implementation											July	
	Examine the need to change the Staff Regulations								√				
ADMIN/PCG/HRD	c. Career development								√				
	1. <i>Creation of a linear career system</i>								√				
	First reading of draft amendment to the Staff Regulations											April	
	Submission of proposal to SRC											December	
	Submission of proposal to the Council												
	Agreement by the Council and implementation												
ADMIN/PCG/HRD	2. <i>Draft Commission Decision on grading procedures</i>			√									
	Adoption of Commission Decision							√					
ADMIN/PCG/HRD	3.+4. <i>Provide access to career guidance and encouraging mobility</i>										√		
	Central function will be created											October	
	Work of decentralised system												
	New version SYSPER												
ADMIN/PCG/HRD	5. <i>Draft Commission Decision on set up a new annual evaluation system</i>								√				
	Adoption of Commission Decision											April	
	Application of new system												

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**Annex 2 to Consultative Document on Reforming the Commission
TIMETABLE OF ACTIONS**

ACTIONS 2000 / 2001

IV. HUMAN RESOURCE DEVELOPMENT continued...

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan 2001	2001
ADMIN/PCG/HRD	c. Career development continued...												
	6. Draft Commission Decision on the promotion system								√				
	Adoption of Commission Decision											April	
	7. Set up preventive measures and procedures for professional incompetence												
	Implementation early warning system										√		
	Draft Commission Decision on professional incompetence							√				March	
	Adoption of Commission Decision												
	First reading of draft amendment to the Staff Regulations							√				March	
	Submission of proposal to SRC											December	
	Submission of proposal to the Council												2002
	Agreement by the Council and implementation												
ADMIN/PCG/HRD	d. Training												
	1. New management and induction training = implemented											√	
	2. Increased training budget											√	
	Communicate improvements in the reform progress report												
	3. Draft Commission Decision on a New Officials Programme								√			April	
ADMIN/PCG/HRD	Adoption of Commission Decision											July	
	Start of first programme												
BUDG BUDG ADMIN/PCG/HRD	e. Contractual staff												
	1. Safeguard accountability in the performance of core tasks											√	
	a. Multiannual programme of transformation of credits											√	
	b. Multiannual programme of transformation of temporary posts												
	c. Draft Commission Decision on detached national experts								√			April	
	Adoption of Commission Decision												
	d. Draft Commission Decision on recruitment of temporary agents								√			April	
	Adoption of Commission Decision												
	e. Phasing out of all other contractual staff on core tasks												Dec.2002
	2. Draft Code of Conduct for external personnel								√				
ADMIN/PCG/HRD	Adoption of Code of Conduct											April	
	3. Examine the need to change the Staff Regulations										√		

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TIMETABLE OF ACTIONS**

ACTIONS 2000 / 2001

IV. HUMAN RESOURCE DEVELOPMENT continued...

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2001	2001
ADMIN/PCG/HRD	f. A better working environment												
	1.+2. Communication on ongoing activities in the area of working conditions and social policy and an action plan for the coming years					√							
	First Reading of draft amendment to the Staff Regulations					√							
	Submission of proposal to SRC											February	
	Submission of proposal to the Council											December	
	Agreement by the Council and implementation												2002
ADMIN/PCG/HRD	g. Equal opportunities												
	1. Promote equal opportunities, see above (action a. no. 2 and f. no. 1+2)												
ADMIN/PCG/HRD	h. Transparency of personnel policy												
	1. Simplified version of Staff Regulations												
	First reading of draft amendment to the Staff Regulations											May	
	Submission of proposal to SRC											December	
ADMIN/PCG/HRD	Submission of proposal to the Council												
	Agreement of the Council and implementation												2002
	2. Improved transparency					√							
ADMIN/PCG/HRD	i. Discipline												
	1. Communication on discipline							√					
	a. Draft Commission Decision on disciplinary procedures							√					
	Adoption of Commission Decision											March	
	b. First reading of draft amendment to the Staff Regulations							√					
	Submission of proposal to SRC											March	
	Submission of proposal to the Council											December	
	Agreement of the Council and implementation												2002

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ACTIONS 2000 / 2001

Lead Service	Actions	Mrc'h	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2001	2001
ADMIN/PCG/HRD ADMIN/PCG/HRD	k. Clear rules for whistleblowers							√					
	1.-4.	Communication on a whistleblowing						√					
	1.	Draft Commission Decision on reporting misconduct						√					
		Adoption of Commission Decision											March
	2.	Draft interinstitutional agreement on whistleblowers						√					
		Adoption of interinstitutional agreement on whistleblowers											March
	3.	Amendment to legal instruments creating OLAF and the Staff Regulations, if necessary											
		First reading						√					
		Submission to the SRC											March
		Submission of the proposal to the Council											September
		Agreement by the Council and implementation											
	4.	Creation of a central mediation service									√		
ADMIN	I. Pay and pension				√								
	1.-2.	Communication on pay and pension											
IGS/Audit Service ADMIN	Decentralisation of internal management								√				
	1.	Analysis on decentralisation							√				
		Decisions on further decentralisations											February
ADMIN/SG ADMIN/SG Audit Service	Administrative structures					√							
	1.	Clear guidance for organigrammes				√							
	2.	Attribution of tasks to each official				√							
	3.	Audit of organisational arrangements in services		√									
BUDG/ADMIN	Resource Implications of reform								√				
	1.	Communication on resource implications of reform							√				

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**Annex 2 to Consultative Document on Reforming the Commission
TIMETABLE OF ACTIONS**

V. FINANCIAL MANAGEMENT AND CONTROL

ACTIONS 2000 / 2001

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan 2001	2001
BUDG All DGs, BUDG BUDG SG	a. Responsibility of Managers												
	1. Responsibilities of financial actors			√									
	2. Delegation of powers											√	
	3. Suppression of ex-ante visas (legislative proposal)		√										
	4. Financial Irregularities Committee				√								
PCG IAS PCG IAS PCG IAS Ops DG F.Control	b. Establishment of an Internal Audit Service												
	1. Establishment of the IAS			√									
	2. Creation of an Audit Progress Board			√									
	3. Reporting			√									
	4. Ex-post review activities in operational DGs										√		
BUDG, PCG FIN BUDG BUDG, PCG FIN BUDG, PCG FIN BUDG, PCG FIN BUDG, PCG FIN	c. Establishment of a Central Financial Service												
	1. Creation of a Central Financial Service			√									
	2. Advice on Contracting												
	3. Contracting database			√									
	4. Operational manuals									√			
	5. Grants and contracts			√									
	6. User networks				√								
DG/Services BUDG,OLAF,FINC OpsDG	d. Financial Management and Control capacity in DGs					√	>>	>>	>>	>>	>>		
	1. Review and codification of internal control systems in Ops.DG					√	>>	>>	>>	>>	>>		
	2. Role of central services in the design of internal controls			√	>>	>>	>>	>>	>>	>>	>>		
	3. Evolution of financial units in operational DG	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>		
	4. Strengthening of ex-post review units	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>		
	5. Human Resources	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>		
Ops DG F.Control IAS,F.Control F.Control Commission F.Control	e. Transition Phase												
	1. Strengthening departmental internal control	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>		
	2. Phasing out of ex-ante visa	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>		
	3. End of systematic visaing			√									
	4. Rendering internal audit fully independent	ASAP											
	5. Dissolution of Financial Control and IGS		√								√		
SG OLAF,IAS,BUDG All DG,OLAF BUDG,IAS BUDG,SJ,OLAF REGIO AGRI	g. Protection of the Community's financial interest												
	1. Elaboration of guidelines for sound project management											√	
	2. Agreement on co-ordination/co-operation OLAF,IAS,BUDG											√	
	3. Fraud-proofing of legislation and contract management			>>	>>	>>	>>	>>	>>	>>	>>		
	4. Optimisation of early warning system				√								
	5. Organisational structure for the recovery of funds				√								
	6. Rules for compensation mechanisms										√		
	7. Proposal for shortening the clearance procedure			√									

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ACTIONS 2000 / 2001

ABM	= WORKING GROUP ON ACTIVITY BASED MANAGEMENT
ADMIN	= DG PERSONNEL AND ADMINISTRATION
AGRI	= DG AGRICULTURE
AIMS	= WORKING GROUP ON ACTIVITY EXT BASED MANAGEMENT
BUDG	= DG BUDGET
DI	= INFORMATICS DIRECTORATE
F.CONTROL	= DG FINANCIAL CONTROL
IAS	= INTERNAL AUDIT SERVICE
IGS	= INSPECTORATE GENERAL
INFSO	= DG INFORMATION SOCIETY
OLAF	= ANTI-FRAUD OFFICE
OPOCE	= OFFICE OF PUBLICATIONS
PCG EXT	= PLANNING COORDINATION GROUP ON EXTERNALISATION
PGG HRD	= PLANNING COORDINATION GROUP ON HUMAN RESOURCES
PCG IAS	= PLANNING COORDINATION GROUP ON INTERNAL AUDIT SERVICE
PCG FIN	= PLANNING COORDINATION GROUP ON THE FINANCIAL CIRCUIT
REGIO	= DG REGIONAL POLICY
SG	= SECRETARIAT GENERAL
SJ	= LEGAL SERVICE
TFAR	= TASK FORCE ON ADMINISTRATIVE REFORM